

TENARIS

Sector: Energy

NEUTRAL

Price: Eu17.34 - Target: Eu19.50

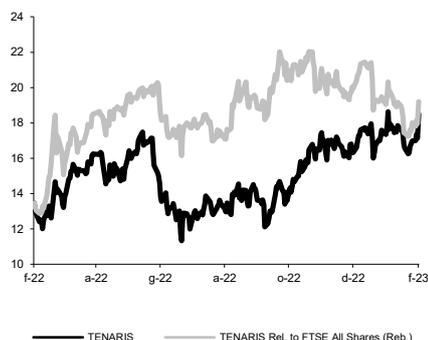
Very Strong Quarter, Further Growth Expected in 1H23

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 18.00 to 19.50		
	2023E	2024E	2025E
Chg in Adj EPS	33.5%	15.6%	3.2%

TENARIS - 12M Performance



Stock Data

Reuters code:	TENR.MI		
Bloomberg code:	TEN IM		
Performance	1M	3M	12M
Absolute	6.7%	6.2%	37.4%
Relative	-0.6%	-7.3%	35.0%
12M (H/L)	17.34/10.81		
3M Average Volume (th):	3,016.37		

Shareholder Data

No. of Ord shares (mn):	1,181
Total no. of shares (mn):	1,181
Mkt Cap Ord (Eu mn):	20,476
Total Mkt Cap (Eu mn):	20,476
Mkt Float - Ord (Eu mn):	7,939
Mkt Float (in %):	38.8%
Main Shareholder:	
Techint	61.2%

Balance Sheet Data

Book Value (\$ mn):	16,438
BVPS (\$):	14.03
P/BV:	1.3
Net Financial Position (\$ mn):	2,341
Enterprise Value (\$ mn):	18,238

■ **4Q22 results.** Tenaris reported better-than-expected results in 4Q22, thanks to higher volumes and average selling prices (revenues up 22% QoQ) and a strong industrial performance, which more than offset higher raw material and energy costs (EBITDA up 34% QoQ, EBITDA margin at 35.1% vs. 31.8% in 3Q22). EBIT was up 26% QoQ, including a US\$77mn impairment charge on certain idle assets. The bottom line was up 32% QoQ, despite a higher tax rate. In detail, revenues closed at US\$3,620mn (vs. exp. US\$3,436mn), EBITDA at US\$1,269mn (vs. exp. US\$1,087mn), and net income at US\$807mn (vs. exp. US\$751mn). Tube volumes closed at 965ktons (+21% YoY, +13% QoQ, vs. exp. 900ktons); average selling prices reached US\$3,593/ton, up 50% YoY and 9% QoQ. Moving to the balance sheet, the net financial position closed cash positive at US\$921mn (vs. exp. US\$793mn), from US\$700mn as at the end of September, despite a US\$682mn working capital expansion in the quarter and the payment of US\$201mn in dividends. The BoD proposed a FY22 dividend of US\$0.51ps (US\$0.34ps balance, ex-div. date 22 May).

■ **Market outlook.** Drilling activity increased during 2022 and, although it has plateaued in North America as we enter 2023, it continues to increase in the Middle East and offshore regions. Global demand for OCTG in 2023 is expected to reach its highest level since 2014, exceeding 16mn tons. Pipeline activity is also advancing to support oil and gas developments, notably in Argentina and the Middle East.

■ **2023 guidance:** Tenaris expects sales and EBITDA to show a further increase in 1H23 reflecting the ramp-up of production in North America and higher shipments to pipeline projects (primarily in LatAm, Vaca Muerta Argentina, and in the Middle East, Qatargas NFP). Sales in 1Q23 are expected to be up around 10% QoQ, with margins stable. For 2Q23 Tenaris did not give precise indications on revenues, just highlighting that margins are expected to remain stable. No guidance for the second part of the year, even if Tenaris foresees supportive market conditions. On the cash flow side, Tenaris expects working capital requirements to stabilise by 2Q23. 2023 CapEx is seen in the region of US\$650mn, focused on debottlenecking the Group's US asset base. In terms of shareholder remuneration, the dividend could increase in 2023, but there was no comment on a potential buyback (unlikely in our opinion).

■ **Estimates and valuation.** We are revising our 2023/24 projections further upwards, reflecting higher volumes, average selling prices and margins (EBITDA +31/17% respectively, net income +34/16%) and higher CapEx. As for the valuation, we are lifting our target price from Eu18.00ps to Eu19.50ps (5.0x 2023-24 EV/EBITDA).

■ **Action on the stock.** After an excellent share price performance, we downgraded the stock to Neutral at the end of November, following 3Q22 results. Since then, the share price moved in a sort of trading range, before yesterday's jump. We believe the stock could benefit in the coming weeks from a further upward revision to consensus earnings estimates and favourable commodity market conditions thanks to China's reopening. Having said that, given that our target price offers quite limited upside, we maintain a NEUTRAL recommendation on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (\$ mn)	6,522	11,763	14,462	13,176	12,399
EBITDA Adj (\$ mn)	1,355	3,648	4,648	3,731	3,188
Net Profit Adj (\$ mn)	1,100	2,553	3,170	2,434	2,021
EPS New Adj (\$)	0.932	2.163	2.685	2.062	1.712
EPS Old Adj (\$)	0.932	2.116	2.012	1.784	1.659
DPS (\$)	0.410	0.510	0.600	0.600	0.600
EV/EBITDA Adj	7.7	4.1	3.9	4.4	4.7
EV/EBIT Adj	13.7	5.0	4.6	5.4	5.9
P/E Adj	19.9	8.6	6.9	9.0	10.8
Div. Yield	2.2%	2.8%	3.2%	3.2%	3.2%
Net Debt/EBITDA Adj	-0.5	-0.3	-0.5	-1.1	-1.8